



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

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September 5, 1984

TO: James W. Smith, Jr., Administrator, Mineral Resource
Development and Reclamation Program

FROM: Pamela Grubaugh-Littig, Reclamation Engineer *pgl*

RE: Property Not Adequate for Reclamation Bond, Robert J.
Barnes, Poor Boy Claims, ACT/019/011 and DOE/019/025,
Grand County, Utah

In response to the letter from Mrs. Barnes who "is willing to put a portion of their deeded property up as security," I have some comments that may need Board response:

1. The \$12,125.00 (1983 dollars) reclamation bond estimate needs to be escalated.
 - *1.04 percent for 1983 - \$13,386 (1984 dollars)
 - **6.78 percent for 1984 - \$14,294 (1985 dollars)\$14,294 should be posted.
2. The property that Mrs. Barnes included in the letter has a 1984 market value of \$9,150 (per a conversation with the Grand County Assessor on September 4, 1984).
3. "Collateral" is an acceptable form of surety as stated in UCA 40-8-14(3). However, using property as a collateral form of surety has not been used before by the Division. A more acceptable form of "collateral" bond is an irrevocable letter of credit. With the irrevocable letter of credit, the bank takes the risk with the property and handles all of the arrangements (paperwork).

*Means Historical Cost Index Figure.

**Average of three preceding years of the Means Historical Cost Index.

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Memorandum - James W. Smith, Jr., Administrator
September 5, 1984

Pursuant to the Board Order, the respondent (Barnes) had to cease mining activities. Prior to resuming any mining, mining exploration, testing of experimental extraction processes or any other activity relating to the extraction of minerals, the respondent must comply with all applicable statutes and regulations. Due to the fact that he has not posted adequate surety yet, he should not be mining (or conducting any other activity) on his claims.

In summary, this property is not adequate surety for this operation. An irrevocable letter of credit should be recommended as a form of surety using this property as collateral. However, the \$14,294.00 reclamation estimate requires more than this property.

btb

cc: Dianne Nielson
Ron Daniels
Sue Linner

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